

# 1 Introduction

The Federal Transit Administration (FTA) has developed these instructions to guide local project sponsors of proposed New Starts projects in the submittal of data and supporting information addressing the Section 5309 New Starts criteria. Over the past several years, FTA has been providing ongoing technical guidance on the application and reporting of the New Starts criteria. These revised instructions, dated July 2001, update and supercede the July 2000 version of the *Technical Guidance on Section 5309 New Starts Criteria*.

The instructions contained in this document incorporate the changes to the New Starts criteria introduced in the *Major Transit Capital Investment Projects Final Rule* that became effective April 6, 2001. These instructions should be used by local project sponsors for the submittal of New Starts information requested for the FY 2003 Annual Report on New Starts (due in September 2001), as well as for all requests to enter preliminary engineering and final design throughout 2001 and 2002 (until FTA releases a revised set of instructions).

In addition to these instructions, FTA is releasing a comprehensive series of guidance documents addressing the New Starts program in the Summer and Fall of 2001. These documents include:

- *Frequently Asked Questions as Interim Guidance on the Major Transit Capital Investment Projects Final Rule*: In July 2001, FTA released a set of Frequently Asked Questions addressing the key elements and changes introduced in the Final Rule addressing the New Starts program.
- *Guidelines and Standards for New Starts Evaluation and Ratings*: FTA is scheduled to release this new document in September 2001 providing an overview of the New Starts project evaluation and rating process, as well as guidelines and standards for FTA ratings applied to each of the project justification criteria, transit supportive land use, and local financial commitment.
- *Policy and Procedural Guidance on the New Starts Program*: FTA is planning to release a new document in the Fall or Winter of 2001 providing a comprehensive guide to FTA policies and procedures on various aspects of the New Starts program, including approval of preliminary engineering and final design, FTA approval of the New Starts baseline alternative, integration of NEPA and the New Starts process, project management requirements, and other areas.

These documents will be posted on the FTA website ([www.fta.dot.gov](http://www.fta.dot.gov)) in the *New Starts* section. In addition, outreach materials and guidance documents will be distributed to local project sponsors, and are available by contacting your FTA Regional Office and the FTA Office of Planning.

## 1.1 FTA's Final Rule for Major Capital Investments

The Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) requires the Federal Transit Administration (FTA) to issue a regulation on the manner in which candidate projects for Section 5309 New Starts capital investment grants or loans for new fixed guideway systems and extensions to existing systems will be evaluated and rated. The *Major Transit Capital*

*Investment Projects Final Rule*, referred to as the *New Starts Final Rule*, was published in the Federal Register on December 7, 2000 and became effective on April 6, 2001.

The *New Starts Final Rule*, 49 CFR Part 611, establishes the methodology FTA will apply in the evaluation and rating of proposed New Starts projects as required by 49 U.S.C. 5309(e). FTA applies the results of the New Starts evaluation and rating to make the determinations required by Federal statute to: a) decide whether proposed projects may advance into the preliminary engineering or final design phases of project development; b) assign ratings to proposed New Starts projects for the Annual Report on Funding Levels and Allocations of Funds (referred to as the *Annual New Starts Report*); c) develop funding recommendations for the Administration's annual budget request; and, d) determine the findings used to decide which projects are eligible for funding commitments under Full Funding Grant Agreements.

The *New Starts Final Rule* does not substantially change FTA's rating process for candidate New Starts projects. The New Starts Final Rule continues the rating process implemented following TEA-21, and applies the New Starts criteria and multiple measure method of evaluation implemented over many years.

A more detailed discussion of the major changes introduced in the Final Rule is presented in the *Frequently Asked Questions as Interim Guidance on the Major Transit Capital Investment Projects Final Rule*, released by FTA in July 2001. In summary, the three most significant changes introduced in the New Starts Final Rule include:

- ***New Starts criteria are now evaluated against a single New Starts baseline alternative.*** The New Starts project is no longer compared against both the No-Build and Transportation Systems Management (TSM) alternative.
- ***A new cost-effectiveness measure is introduced, incorporating cost per "Transportation System User Benefits". This element of the Rule is effective in September 2001.*** The new measure replaces the "incremental cost per incremental passenger" measure previously applied (commonly referred to as the "cost per new rider").
- ***New Starts Before and After Studies will be completed for projects receiving Full Funding Grant Agreements. This element of the Rule is anticipated to be implemented in Summer 2001.*** Project sponsors will be responsible to collect and analyze predicted-before-after data on the scope of the project, service levels, costs, and ridership.

Additional changes introduced in the Final Rule include:

- A new measure of employment within a ½ mile of station areas is introduced in the Mobility Improvement criterion.
- One letter indicators have been added to describe the reasons for assignment of "not recommended" ratings.
- Minor additions and updates have been incorporated in the Existing Land Use, Transit Supportive Land Use Policies, and Future Patterns criterion.
- FTA's position on exempt projects in the New Starts process is clarified.

The instructions contained in this document incorporate the changes to the New Starts criteria introduced in the *New Starts Final Rule*.

## 1.2 New Starts and the Planning and Project Development Process

Figure 1-1 illustrates the FTA New Starts Process. A more detailed discussion of this process and requirements is presented in the *Policy and Procedural Guidance on the New Starts Program*, scheduled for release by FTA in the Fall/Winter 2001. TEA-21 requires that New Starts projects, like all transportation investments in metropolitan areas, must emerge from a regional multimodal transportation planning process and must be evaluated and publicly reviewed in accordance with the National Environmental Policy Act (NEPA) in order to be eligible for Federal funding. In addition, 49 U.S.C. §5309(e)(1) specifies that discretionary grants or loans for New Starts projects may only be approved if a proposed project is based on the results of alternatives analysis and preliminary engineering, and that certain project justification and financial criteria have been met.

For a project to qualify for §5309 New Starts funding, the planning and NEPA process must include a planning-level alternatives analysis (formerly known as a major investment study) which evaluates all reasonable modal and multimodal alternatives and general alignment options for addressing the identified transportation needs in a particular, broadly defined travel corridor. This alternatives analysis will provide information on the benefits, costs and impacts of alternative strategies, leading to the preliminary selection of a locally-preferred strategy that is still subject to final NEPA review. The New Starts Final Rule also includes a requirement that during alternative analysis sponsors of candidate New Starts projects should develop, in cooperation with FTA, a New Starts baseline alternative for use in the New Starts rating process. The locally preferred New Starts build alternative is compared to the New Starts baseline alternative for purposes of isolating the costs and benefits of the proposed major capital investment.

When the sponsoring agency for a candidate New Starts project desires to initiate the preliminary engineering (PE) phase of project development, it must submit a request to the appropriate FTA regional office. The request must document the adoption of the project into the metropolitan transportation plan and the programming of the PE activity in the MPO's Transportation Improvement Program (TIP). The PE request must also address the project justification and local financial commitment criteria as required under the 49 U.S.C. §5309(e)(6). FTA will then evaluate the proposed project based on the New Starts criteria and determine whether or not to advance the project into PE.

Sponsors of candidate New Starts projects must also demonstrate the technical capability and capacity to implement the proposed project at the point of requesting entrance into preliminary engineering. Following the selection of a locally preferred alternative, project sponsors should begin the development of a project management plan (PMP). It is important to note that this requirement applies to all New Starts projects regardless of the amount of the requested §5309 New Starts share.

Requirements for FTA approval into preliminary engineering include:

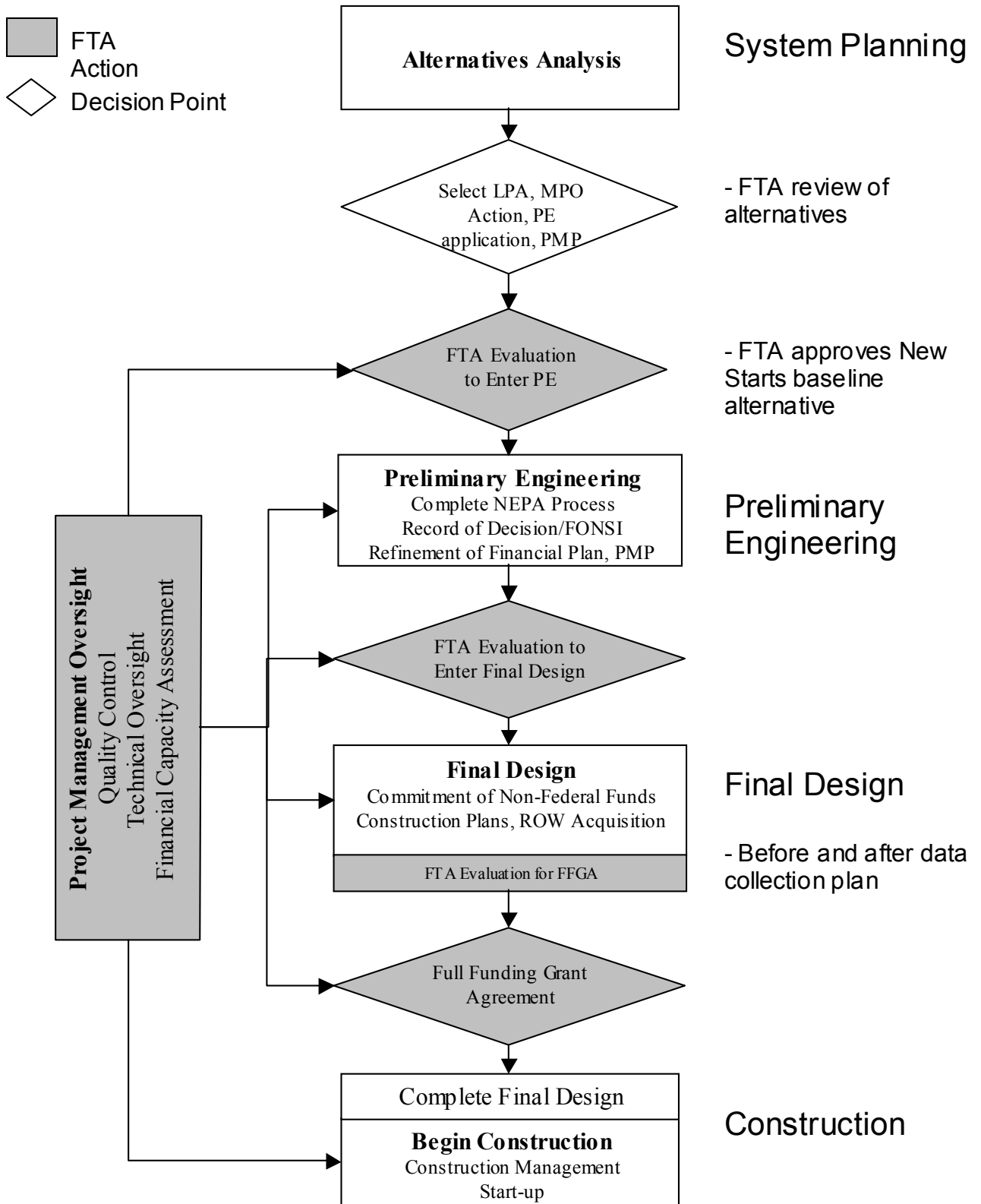
- Completed alternatives analysis;
- Adopted locally preferred alternative in Regional Long Range Transportation Plan;
- FTA approval of New Starts baseline alternative (a new requirement introduced in the Rule);
- FTA review of draft Project Management Plan;
- Demonstrated technical, legal and financial capacity; and
- “Recommended” or higher rating for the project, based on the New Starts criteria.

Following the completion of PE, including completion of the National Environmental Policy Act (NEPA) requirements, project sponsors may submit a request to FTA to initiate final design – the last phase of project development prior to construction. Final design may include right-of-way acquisition, utility relocation and the preparation of final construction plans (including construction management plans), detailed specifications, construction cost estimates and bid documents. As noted previously, the final design phase cannot be initiated until all applicable environmental reviews and evaluations have been satisfied, as evidenced by a NEPA Record of Decision or a Finding of No Significant Impact. In addition, project sponsors must have an FTA-approved Project Management Plan (PMP) in place at the time of the final design request. FTA will reconfirm that the PMP continues to adequately demonstrate the technical capability of the lead local agency to design, construct and operate the proposed New Starts project. FTA will approve entry into final design based on the results of the New Starts rating process.

Requirements for FTA approval into final design include:

- Completed NEPA process (Record of Decision or Finding of No Significant Impact);
- Demonstrated technical, legal, and financial capacity;
- FTA Approved Project Management Plan (PMP);
- FTA Approved Rail and Bus Fleet Management Plans;
- Resolution of all railroad and other major right-of-way issues; and
- “Recommended” or higher rating for the project, based on the New Starts criteria.

Figure 1-1: FTA New Starts Planning and Project Development Process



### 1.3 Overview of New Starts Criteria

TEA-21 requires that FTA rate each candidate New Starts project based on the New Starts criteria and assign an overall project rating as either “Highly Recommended,” “Recommended” or “Not Recommended”.

FTA evaluates each project sponsor’s submittal of information addressing the project justification criteria and local financial commitment and assigns overall project ratings. FTA applies these ratings to decisions for advancing proposed projects in the New Starts project development process.<sup>1</sup>

#### 1.3.1 Project Justification Criteria

Section 5309(e)(1)(B) and Section 5309(e)(3)(C) of TEA-21 require that projects proposed for New Starts funding be justified based on a comprehensive review of the following criteria:

- mobility improvements;
- environmental benefits;
- operating efficiencies;
- cost-effectiveness; and
- existing land use, transit supportive land use policies, and future patterns.

FTA also considers “Other Factors” as required by Section 5309(e)(3)(H) of TEA-21.

#### 1.3.2 Financial Criteria

Section 5309(3)(1)(c) of TEA-21 requires that proposed projects be supported by an acceptable degree of local financial commitment, including evidence of stable and dependable financing sources to construct, maintain and operate the transit system. The measures for evaluating the financial soundness of a proposed project are:

- The proposed share of total project costs from sources other than the New Starts portion of Section 5309, including Federal formula and flexible funds, the local match required by Federal law, and any additional capital funding;
- The strength of the proposed capital funding plan; and
- The ability of the sponsoring agency to fund operation and maintenance of the entire transit system as planned once the guideway is built.

### 1.4 Summary of Evaluation and Rating Process

FTA evaluates proposed New Starts projects against the full range of criteria for both project justification and local financial commitment, using a multiple measure method<sup>2</sup> illustrated in Figure 1-2. A more detailed discussion on the New Starts rating process is presented in

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<sup>1</sup> Note that as a project proceeds through the project development process it is expected that project cost estimates, local funding commitments, and transit supportive land use policies and other development efforts will become more fully realized. Consequently, projects requesting entrance into final design must provide firmer evidence of local financial and land use commitments to be “recommended” or “highly recommended” than do projects requesting entry into preliminary engineering.

<sup>2</sup> A description of the FTA New Starts Evaluation and Rating Process is included in a document entitled “Guidelines and Standards for New Starts Evaluation and Ratings”, scheduled for release by FTA in September, 2001.

*Guidelines and Standards for New Starts Evaluation and Ratings*, scheduled for release by FTA in September 2001.

FTA analyzes the information submitted by project sponsors and assigns a rating of high, medium-high, medium, low-medium, or low to each of the individual project justification criteria and to the measures for local financial commitment. These criteria/measures-specific ratings are then combined into summary project justification and finance ratings. No specific weights are assigned to the criteria when combining them into summary ratings. For determining a project's project justification rating, FTA primarily considers transit supportive land use and cost effectiveness. If these primary criteria provide no clear rating, then other project justification criteria are considered. FTA attempts to reflect the unique characteristics and objectives of each New Starts project in consideration of the project justification criteria and other factors.

For the summary finance rating, FTA considers the project's ratings for the capital and operating plans, as well as the non-Section 5309 New Starts share of project costs. The capital financial rating and operating financial rating are based upon the status of the funding proposed in the project's financial plans, the completeness of the financial plan, and the financial capacity of the project sponsor to undertake the major capital investment. FTA designates the funds proposed in each financial plan as existing, committed, budgeted, or planned for the proposed major capital investment and ongoing operations and maintenance costs of the system. In order to receive a "medium" summary financial rating, projects must receive a "medium" rating for both the capital finance plan and the operating finance plan.

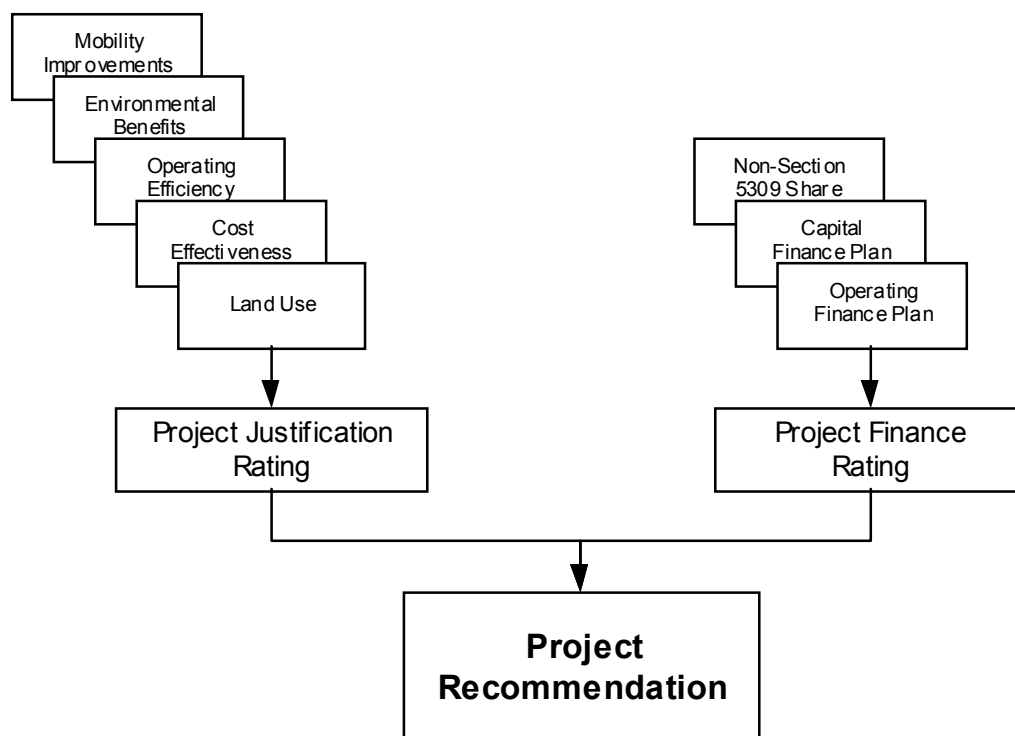
Summary project justification ratings and finance ratings are in turn used to determine overall project ratings according to the following decision rule:

- ***Highly Recommended:*** Projects must be rated at least *medium-high* for both finance and project justification;
- ***Recommended:*** Projects must be rated at least *medium* for both finance and project justification; and
- ***Not Recommended:*** Projects not rated at least *medium* in both finance and project justification will be rated as not recommended.

Projects must be rated *Highly Recommended* or *Recommended* to be approved to advance into preliminary engineering or final design, or to be considered for a Full Funding Grant Agreement.

It is very important to emphasize that project evaluation is an on-going process. FTA evaluation and rating occurs annually in support of budget recommendations presented in the Annual Report on New Starts and when projects request FTA approval to enter preliminary engineering or final design. Consequently, as proposed New Starts projects proceed through the project development process, information concerning costs, benefits, and impacts is refined and the ratings updated to reflect new information.

Figure 1-2: FTA Approach to New Starts Evaluation and Rating



#### 1.4.1 When Does FTA Evaluate and Rate New Starts Projects?

TEA-21 requires that FTA evaluate and rate all proposed New Starts projects for advancement in the New Starts project development process and for annual reporting to Congress. FTA applies the results of the New Starts evaluation and the overall project ratings of “highly recommended”, “recommended”, or “not recommended” to make the determinations required by Federal statute to:

- a) decide whether proposed projects may advance into the preliminary engineering or final design phases of project development;
- b) assign ratings to proposed New Starts projects for the Annual Report on Funding Levels and Allocations of Funds (referred to as the *Annual Report on New Starts*);
- c) develop funding recommendations for the Administration’s annual budget request; and
- d) determine the findings used to decide which projects are eligible for funding commitments under Full Funding Grant Agreements.

A rating of “highly recommended” or “recommended” does not translate directly into a funding recommendation or commitment in any given year. Federal financial commitments, as specified in a Full Funding Grant Agreement (FFGA), will be granted ultimately to those transit New Starts projects that are:

1. Rated “recommended” or “highly recommended”;
2. In the final design project development phase and have demonstrated “readiness” to utilize the funds based on a reasonable implementation and financing schedule; and
3. whose Section 5309 New Starts request is within available program resources.



## 2 Submission Requirements

This section describes the information applicants must submit to FTA for evaluation and rating under the Section 5309 New Starts process as specified in TEA-21. FTA requires that project sponsors provide information on the characteristics of the proposed New Starts project and the existing regional transit system, to develop and submit information addressing each of the New Starts rating criteria, and to certify that the technical methods and assumptions used to develop the submittal are consistent with FTA policy and sound planning principles as described in this chapter.

### 2.1 Reporting Requirements

Many of the required data inputs and qualitative assessments are based upon information developed by local project sponsors during alternatives analysis and other planning/project development activities. The FTA will work with local agencies to address questions and issues regarding individual data items and reporting of specific criteria and measures.

This section specifies the information local project sponsors are to submit on their proposed project to ensure that FTA can give the project an adequate evaluation and a fair rating. These items will be described in detail in the following sections. Table 2-1 identifies the items to be reported, the section of this document where it is discussed, the template number where the template is found in the appendix, and provides a checklist for project sponsors to complete as they prepare their submittal. Reporting templates are also available on the World Wide Web at [www.fta.dot.gov](http://www.fta.dot.gov) in the *New Starts* section.

#### 2.1.1 Project Description

Applicants are to provide descriptive information on the proposed New Starts investment and the regional public transportation system. FTA uses the project description to understand the project, to develop a project profile for the *Annual Report on Funding Levels and Allocations of Funds* and to establish a database of project characteristics and local contact information.

The project description template includes the following information:

- Contact information for all key staff and organizations that are involved with the proposed project;
- Project function and its relationship to the existing transportation system;
- Features of the proposed project including length, mode, alignment, stations...etc;
- Cost estimates;
- Travel demand estimates for opening and forecast year;
- New required demand forecast for the proposed project using current year population and employment; and
- Project schedule and milestones.

To fulfill this requirement, project sponsors must complete Template 1 in Appendix A.